

Region XII Council of Governments, Inc.
Carroll, Iowa
Financial Statements
Independent Auditor's Reports
Supplemental Information
Schedule of Findings & Questioned Costs
June 30, 2012

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TABLE OF CONTENTS

		<u>Page</u>
Board of Directors, Policy Council, and Officers		4
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-10
<u>Financial Statements:</u>	<u>Exhibit</u>	
Statement of Financial Position	A	12
Statement of Activities	B	13
Statement of Changes in Net Assets	C	14
Statement of Cash Flows	D	15
Notes to Financial Statements		16-24
<u>Supplemental Information:</u>	<u>Schedule</u>	
Schedules of Revenues and Expenses:		
Schedule of Functional Expenses	1	26
Schedules of State, General and		
Local Administered Programs Activity	2	27-28
Schedules of Federal Programs Activity	3	29-30
Schedules of Western Iowa Transit Programs Activity	4	21-32
Schedules of Completed Programs	5	35-36
Schedule of Expenditures of Federal Awards	6	37-38
RTS Certification by Independent Auditor		40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards		41-42
Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over compliance in accordance with OMB Circular A-133		43-44
Schedule of Findings & Questioned Costs		45

REGION XII COUNCIL OF GOVERNMENTS, INC.
BOARD OF DIRECTORS AND OFFICERS

<u>Name</u>	<u>Title</u>	<u>County Represented</u>
<u>Executive Board Members</u>		
Jack Bensley	Chairperson	Sac
Marty Danzer	Vice Chairperson	Carroll
Vernon Venteicher	Secretary	Audubon
Guy Richardson	Treasurer	Greene
Jerome Caraher	Board Member	Guthrie
Eric Skoog	Board Member	Crawford
<u>Policy Council Members</u>		
Jay Dee Mendenhall	Board Member	Audubon
Gary VanAernam	Board Member	Audubon
Gene Karstens	Board Member	Audubon
Neil Bock	Board Member	Carroll
Dan Nieland	Board Member	Carroll
Cindy Fay	Board Member	Carroll
Mary Lou Kraus	Board Member	Crawford
Carla Lally	Board Member	Crawford
Loren Schultz	Board Member	Crawford
Jane Heun	Board Member	Greene
Karen Polking	Board Member	Greene
John Muir	Board Member	Greene
Jerri Christman	Board Member	Guthrie
Luann Waldo	Board Member	Guthrie
Curt Thornberry	Board Member	Guthrie
Morris Boeckman	Board Member	Sac
Joan Godbersen	Board Member	Sac
Elaine Rex	Board Member	Sac

Region XII Council of Governments, Inc. Officers

Richard Hunsaker	Executive Director
Joe Behrens	Local Assistance Director
Thomas Feldman	Transit Director
Beth Winquist	Workforce Director
Kathleen Pauli	Fiscal Officer

In January of each year, each member of the County Board of Supervisors shall appoint or reappoint three local elected officials or persons responsible to local elected officials to serve at least one year as their County's representative. One of the three shall be designated Chairperson of that group and shall be designated an officer candidate and member of the Executive Board. The Executive Board shall appoint a fourth member from each county to serve on the policy council.

John D. Morrow

Certified Public Accountant

**Member
Iowa
Society**

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Certified Public Accountants

November 14, 2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Region XII Council of Governments, Inc.
Carroll, Iowa

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Region XII Council of Governments, Inc. (COG), Carroll, Ia, as of and for the year then ended June 30, 2012. These financial statements are the responsibility of the COG's management. My responsibility is to express an opinion on these financial statements based on my audit. The Management's Discussion and Analysis is included in this report.

I conducted the audit in accordance with U. S. generally accepted auditing standards, standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Single Audit Act, Office of Management and Budget (OMB) Circular A-133, and Chapter 11 of the Code of Iowa. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Region XII Council of Governments, Inc., as of and for the year ended June 30, 2012, and changes in it's net assets, and it's cash flows in conformity with U. S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my reports dated November 14, 2012, on my consideration of Region XII Council of Governments, Inc.'s, internal control over financial reporting and on my tests of it's compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in Schedules 1 through 6, including the Management's Discussion and Analysis and the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analyses and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

REGION XII COUNCIL OF GOVERNMENTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

As management of Region XII Council of Governments (COG), Inc., we offer the readers of Region XII COG financial statements this narrative overview and analysis of the financial activities of the commission for the fiscal year ended June 30, 2012. This report is intended to serve as an introduction to Region XII COG's basic financial statements.

Financial Highlights

- The assets of the COG exceeded its liabilities as of June 30, 2012 by \$10,949,307 (net assets). Of this amount, \$3,952,375 represents amounts that are non-spendable, which consist of investments in property, vehicles, and equipment. Funds reserved for housing loans equal \$1,767,426 and the health insurance reserve is \$257,386. The unassigned local net assets equal \$4,972,120.
- The COG's total net assets increased by \$286,201 over the prior year. This increase can be attributed to unreserved net assets, which made up for losses in other areas, notably loss in capital value through depreciation and loan funds.
- Revenues were \$6,813,477 which is \$60,407 over the costs/expenses.
- The total cost of programs decreased by \$352,899, primarily due to decreases in Workforce Investment Act and revolving loan fund activity. Revenues increased \$864,590, however, due almost fully to increased grants and awards funding.
- The COG decreased its long-term debt by retiring obligations to the DOT for transit capital projects.
- The assets of the COG do not include assets assigned to its subsidiary non-profit corporations Council of Governments Housing, Inc. and the Region XII Development Corporation.

Overview of the Financial Statements

The COG's basic financial statements are comprised of 1) financial statements and 2) notes to the financial statements. In addition, other supplementary information to the basic financial statements is provided.

The financial statements include a *Statement of Financial Position*, a *Statement of Activities*, a *Statement of Changes in Net Assets*, and a *Statement of Cash Flows*. These statements present information of the COG's finances in a manner similar to governmental activities. The activities are consolidated and present the operations as a whole.

The *Statement of Financial Position* presents information on all of the COG's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the COG's net assets may be an indicator of whether its financial position is improving or declining, respectively. The past 20 years have witnessed steady growth of net assets.

REGION XII COUNCIL OF GOVERNMENTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

The *Statement of Activities and Statement of Changes in Net Assets* present information showing how the COG's net assets changed during the year. This statement reports the cost of activities and how those costs were recovered for the fiscal year.

The *Statement of Cash Flows* presents information on the cash flow of the COG during the fiscal year. This information can assist the user of the report in determining how the COG financed its activities and how it met its cash requirements.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the financial statements. The notes to the financial statements are found on pages 16-24. Schedules of revenues and expenses may be found on pages 26-32.

Financial Analysis of the COG's Net Assets

The table below is a summary of the COG's net assets for the year ended June 30, 2012 compared to 2011.

NET ASSETS		
	<u>2012</u>	<u>2011</u>
Current and other assets	7,743,979	7,756,952
Capital Assets	<u>3,952,375</u>	<u>4,103,234</u>
TOTAL ASSETS	<u>11,696,354</u>	<u>11,860,186</u>
Current Liabilities	716,847	1,151,780
Long-term Liabilities	<u>30,200</u>	<u>45,300</u>
TOTAL LIABILITIES	747,047	1,197,080
NET ASSETS:		
Non-spendable	3,952,375	4,103,234
Unassigned net assets	4,972,120	4,379,113
Health insurance reserve	257,386	263,721
Reserve for loans	<u>1,767,426</u>	<u>1,917,038</u>
Total Net Assets	<u>10,949,307</u>	<u>10,663,106</u>

As noted earlier, net assets may serve over time as a useful indicator of the COG's financial position. In the case of the COG, assets exceeded liabilities by \$10,949,307 at the close of the most recent fiscal year.

Approximately 45.4% of the COG's net assets are categorized as "unassigned net assets," the large majority of which is monies in revolving loan funds, although the COG does have significant general reserves for its planning and transit operations. Just over 36.1% of the net assets are attributed to capital assets. Just over 16% of the net assets are outstanding loans for housing, and the balance is for a small health insurance reserve. The COG records assets using historical cost. If actual cost is not known, an estimated historical cost will be used.

REGION XII COUNCIL OF GOVERNMENTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Revenues:	<u>2012</u>	<u>2011</u>
Program Grants & Awards	4,696,452	6,136,326
Public Support & Program Funds	1,361,943	1,514,192
Elderbridge Agency on Aging	38,916	35,173
United Way	4,500	2,250
Loan Repayments	337,395	376,970
Interest From Loans & Fees	40,386	52,899
Interest from investments	48,557	93,457
Other revenues	56,786	96,601
Matching funds	191,290	209,472
In-Kind Match	<u>37,252</u>	<u>37,176</u>
Total Revenues	6,813,477	8,554,516
Expenses:		
Local Funds	66,922	118,338
Revolving Loan Funds	237,496	221,928
Community Administered & Support	264,049	288,178
Iowa Waste Exchange	400,085	370,472
Iowa Workforce Development	11,091	15,459
Low Income Housing Tax Credit	6,178	6,181
Disaster Relief (Jumpstart)	0	6,081
Western Iowa Advantage	41,847	71,672
Rural Housing Preservation	41,117	55,217
Economic Development Planning	122,000	122,000
Disaster Recovery Coordinator	0	40,826
Hazard Mitigation Grants	37,499	0
Community Development Block Grants	768,101	2,183,523
HOME Investment Partnership	660,176	313,581
Workforce Investment Act	298,006	152,604
Employment/New Iowa/Veterans	22,583	34,133
Tornado/Flood-National Emergency Grant	0	1,306
Electrolux-National Emergency Grant	1,151,845	565,180
Promise Jobs	116,300	130,408
Housing Disaster Recovery	0	171,028
Other Federal Programs	0	60,905
Ticket to Work	6,118	0
Rural Transit Systems	1,943,231	2,137,900
Regional Transportation Planning	163,839	227,950
Safe Route to School	15,223	75,781
Depreciation	<u>379,364</u>	<u>416,046</u>
Total Expenses	<u>6,753,070</u>	<u>7,786,697</u>
Revenue over expenses	<u>60,407</u>	<u>767,819</u>

The COG's total revenues decreased 20.4% to \$6,813,477. The most dramatic difference was the drop in Program Grants & Awards, attributed to decreasing activity in housing programs for which the COG served as subrecipient. This decrease was nearly 24% and represented \$1.4M of the difference. Public Support & Program funds made up the bulk of the remaining loss. The total cost of all programs/services decreased by just over \$1M, or 13.3%. The COG's expenses are predominantly related to providing services such as public transit, workforce development, housing, planning, grant administration, or technical assistance to the COG's members.

REGION XII COUNCIL OF GOVERNMENTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Capital Assets

By the end of the 2012 fiscal year, the COG had invested \$3,952,375 in capital assets, net of accumulated depreciation of \$2,171,685. Total depreciation expense for the year was \$379,364. The COG added \$228,505 to its capital assets recorded at actual cost. The COG disposed of several transit vehicles that had minimal value.

Long-term Debt

At the end of the current fiscal year, the COG had total debt outstanding of \$45,300 which is a 25% decrease from the prior year. The debt consists of loans payable to the Iowa Department of Transportation for the purchase of regional transit vehicles and building expansion at the headquarters in Carroll; this loan will decrease in equal \$15,100 payments over the next 3 years until retired. No significant long-term debt is anticipated in coming years with the possible exception of additional DOT Amoco loans for public transit rolling stock.

Economic Factors on the COG's Future

At the time these financial statements were prepared and audited, the COG was aware of several key factors that may have an impact upon the COG's future funding levels.

- Local, State and Federal economic conditions are key indicators for resource availability and monitoring these conditions will be prudent for Region XII COG and its future success in regional service delivery.
- Health insurance costs continue to rise with current rates projected to increase again for FY 2013. The COG is moved from self-insurance in June of 2012 and was able to keep costs level with mitigated impact upon the benefit employees receive.
- Funding decreases in certain federal programs, such as the Workforce Investment Act and the State of Iowa's response to these decreases may render services at the COG level impractical or impossible. The loss of Promise Jobs in FY2011 resulted in less employees; the COG has begun a strategic management partnership with SDR13 in Council Bluffs which may or may not lead to similar arrangements.
- Consolidation of services as a result of decreased funding at the local and state level may provide opportunities for the COG to provide services in areas not currently provided.
- Changing priorities in housing will require the COG to adjust its approach and offerings.
- Region XII COG has three facilities on which it has little debt as these were paid through grants or self-financing. The COG is therefore able to adjust its debt servicing to meet budget demands.
- The COG is a member of the Iowa Association of Regional Councils and is providing new lines of business in consortium with its sister organizations statewide.
- The COG has four associate members in Dallas County. A move to re-form a central Iowa COG may require the COG to either court the entire county and expand its boundaries or cede these four cities to the new organization.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the COG's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, Region XII COG, Inc., 1009 E Anthony St, PO Box 768, Carroll, Iowa 51401.

FINANCIAL STATEMENTS

REGION XII COUNCIL OF GOVERNMENTS, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2012

ASSETS

CURRENT ASSETS

Cash and investments	\$ 5,119,990
Receivables:	
Grantor agencies	478,496
Other sources	180,618
Affiliated organizations	5,290
Prepaid expense	<u>154,947</u>
Total Current Assets	<u>5,939,341</u>

PROPERTY AND EQUIPMENT

Land & building	3,291,104
Vehicles	2,432,049
Office equipment	<u>400,907</u>
	6,124,060
Less accumulated depreciation	<u>2,171,685</u>
	<u>3,952,375</u>

OTHER ASSETS

Receivable from future claims or reimbursements	37,212
Housing program loans	<u>1,767,426</u>
	<u>\$ 11,696,354</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 218,460
Notes payable	266,200
Current portion of long-term debt	15,100
Accrued payroll and benefits	74,187
Accrued annual leave payable	116,166
Deferred revenue	<u>26,734</u>
Total Current Liabilities	716,847

LONG TERM LIABILITIES

Note payable	30,200
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NET ASSETS

Unassigned net assets	4,972,120
Health insurance reserve	257,386
Investment in property, vehicles and equipment	3,952,375
Reserve for loans	<u>1,767,426</u>
	<u>10,949,307</u>

\$ 11,696,354

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2012

Revenues:

Program Grants and Awards	\$ 4,696,452
Public Support & Program Funds	1,361,943
Elderbridge Agency on Aging	38,916
United Way	4,500
Loan Repayments	337,395
Interest From Loans & Fees	40,386
Interest From Investments	48,557
Other Revenues	56,786
Matching Funds	191,290
In-Kind Match	<u>37,252</u>
Total Revenue	<u>6,813,477</u>

Expenses:

Local Funds	66,922
Revolving Loan Funds	237,496
Community Administered & Support	264,049
Iowa Waste Exchange	400,085
Iowa Workforce Development	11,091
Low Income Housing Tax Credit	6,178
Western Iowa Advantage	41,847
Rural Housing Preservation	41,117
Economic Development Planning	122,000
Hazard Mitigation Grants	37,499
Community Development Block Grants	768,101
HOME Investment Partnership	660,176
Workforce Investment Act	298,006
Employment/New Iowa/Veterans	22,583
Electrolux-National Emergency Grant	1,151,845
Promise Jobs	116,300
Ticket to Work	6,118
Rural Transit Systems	1,943,231
Regional Transportation Planning	163,839
Safe Route to School	15,223
Depreciation	<u>379,364</u>
Total Expenses	<u>6,753,070</u>

Revenue over expenses	\$ <u><u>60,407</u></u>
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See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
STATEMENT OF CHANGES IN NET ASSETS
Year ended June 30, 2012

Program revenues over expenses	\$ 60,407
(Decrease) in balance classified as "Receivable from Future Claims"	(50,757)
Decrease in balance classified as "Deferred Revenue"	203,993
(Decrease) in Self Insurance- "Health Insurance Reserve"	(6,335)
Investment in plant, vehicles, & equipment	228,505
(Decrease) in "Reserve for Loans"	(<u>149,612</u>)
Total Change in net assets	286,201
Net Assets-Beginning of Year	<u>10,663,106</u>
Net Assets-End of Year	\$ <u><u>10,949,307</u></u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

Resources Provided (Used) By:	
Cash Flow from Operating Activities:	
Revenue over expenses	\$ 60,407
Items not requiring outlays of cash:	
Depreciation	379,364
Change in Operating Assets & Liabilities:	
Accounts receivable	681,219
Prepaid expenses	(22,703)
Accounts payable	(53,553)
Accrual payroll and benefits	(20,983)
Accrual annual leave	(9,704)
	<u>1,014,047</u>
Cash Flow From Investing Activities:	
Self insurance - health insurance reserve	(<u>6,335</u>)
Cash Flow From Financing Activities:	
Borrowing - short term notes	462,400
Payments - long term notes	(15,100)
Payments - short term notes	(<u>609,100</u>)
	(<u>161,800</u>)
Net Increase in Cash	845,912
Cash, Beginning of Year	<u>4,274,078</u>
Cash, End of Year	\$ <u><u>5,119,990</u></u>
Interest Expense - Cash Basis	\$ <u><u>10,982</u></u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 Nature of Activities and Significant Accounting Policies

A. Nature of Activities

Region XII Council of Governments, Inc. (COG) entered into a 28E agreement to service the Iowa counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac.

The purposes for which the COG was organized are to provide joint services and facilities with other agencies to promote and assist the economic development of business concerns through growth and development and aid in development opportunities to the region, thereby increasing employment, business volume, and business payrolls. To accomplish these purposes, the COG has all the powers enumerated in the Iowa Non-Profit Corporation Act, Chapter 504 of the Code of Iowa and is certified in good standing with the Iowa Secretary of State. These powers are limited to the definitions and purposes encompassed by Section 501(c)(3), of the Internal Revenue Code. In addition, the COG has the power and duty to make comprehensive studies and plans for the development of the area it serves, to eliminate planning duplication, to promote governmental economy and efficiency, and to otherwise guide the unified development of the area.

Region XII Council of Governments, Inc. is the designated administrative agency, fiscal agent, and coordinating service provider for the Workforce Investment Act (WIA) in Iowa Workforce Development (IWD) Region 8. Region 8 includes the Iowa counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac. The COG is the fiscal agent for IWD in Region 8. The COG provides Promise Jobs case management for the counties of IWD Region 8. The cities of Perry, Redfield, Minburn, and Linden, are associate members of the COG. Region XII COG, Inc.'s Executive Board has the responsibility for all records which are included in these financial statements.

Region XII Council of Governments, Inc. owns and operates the Western Iowa Transit System. This rural transit system provides transit services to senior citizens, persons with disabilities, preschool and school aged students, and the general public. Western Iowa Transit System operates in Audubon, Carroll, Crawford, Greene, Guthrie, and Sac counties and is recognized by the Department of Transportation as the regional transit organization. The mission of Western Iowa Transit System is to provide safe, dependable, and efficient public transit services for all citizens within its service area in a manner which will help them maintain and improve their quality of life.

Region XII Council of Governments, Inc. serves as the Regional Planning Affiliation (RPA) for the counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac. As the RPA, the COG prepares all planning documents pursuant to transportation planning in the region, including the programming of regional federal funds for transportation. The COG is advised by a Transportation Advisory

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 1. Nature of Activities and Significant Accounting Policies (continued)

A. Nature of Activities (continued)

Committee on all planning documents. Final decisions on these documents are made by the Policy Council of Region XII Council of Governments, Inc.

Region XII Council of Governments, Inc. assists the communities and counties in identifying housing needs. Once needs are identified, the organization will work with the necessary partners to achieve those goals. Examples of programs include various housing rehabilitation programs, down payment assistance, rental projects, new construction, development of lots for sale, and lead base paint & inspection services.

The organization is dependent on continued funding by Federal, State and local governmental bodies to provide the programs necessary to support the services and objectives set out above.

B. Significant Accounting Policies

Program Fund Accounting - To ensure observance of limitations and restrictions placed on the use of resources available to Region XII Council of Governments, Inc., the accounts of the organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into program funds established according to their nature and purposes. Separate accounts are maintained for each program fund. However, in the accompanying financial statements, programs that have similar characteristics have been combined into program groups. Accordingly, all financial transactions have been recorded and reported by program group.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Grant or contract revenue is recognized when earned. The grants and contracts are written on an expense reimbursement basis and accordingly, grant or contract revenue is earned when allowable program expenses are incurred. The financial statements present any funds received and not expended as deferred revenue. Expenses are recorded when the liability is incurred. Disbursements for the purchase of property and equipment which provide future benefits are recorded as expenses in the program at the time of purchase. Any property and equipment capitalized is presented in the Statement of Net Assets.

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 1 Nature of Activities and Significant Accounting Policies
(continued)

B. Significant Accounting Policies (continued)

Basis of Presentation - Net assets and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the COG and changes therein are classified and reported as follows:

Unassigned net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unassigned net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unassigned net assets.

Assets, Liabilities and Net Assets - The following accounting policies are followed in preparing the combined statement of financial position.

Cash and Investments - Cash includes amounts in demand deposits, money market funds, and certificates of deposit.

Program Funds and Accounts Receivable - Reimbursement procedures used for grants and contracts may result in timing differences between program reimbursements and expenses as of the beginning and end of the year. Program funds and accounts receivable include amounts due to the COG but not received at year end.

Allowance for Doubtful Accounts - The direct write-off method is used to account for uncollectible housing and business loans. There is no provision for bad debts since all receivables and loans are considered to be collectible.

Receivable from Future Claims or Reimbursements - This receivable represents an excess of expenses over revenue received from the funding source at year end.

Receivables and Payables from Affiliated Organizations - During the course of operations, numerous transactions occur between individual funds and affiliated organizations for goods provided or services rendered. To the extent that certain transactions between funds and affiliated organizations have been paid or received as of June 30, 2012, balances of inter-fund amounts have been recorded.

Property, Vehicles, and Equipment - Property, vehicles, and equipment are valued at historical cost. Property, vehicles, and equipment are recorded as expenses in the fund purchasing the asset. The purchases are then capitalized accumulating the net investment in property, vehicles, and equipment. Depreciation has

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 1. Nature of Activities and Significant Accounting Policies (continued)

B. Significant Accounting Policies (continued)

Property, Vehicles, and Equipment (continued)

been provided using the straight-line method over the estimated useful lives of the respective assets, generally 50 years for real property and 5 to 10 years for vehicles and equipment. The depreciated cost of the property, vehicles, and equipment does not purport to be either a realizable value or a replacement value. Expenses for maintenance, repairs, and minor replacements are charged to the current year, while the cost for major replacements and betterments are capitalized. The cost of assets disposed is deleted.

Annual Leave - Employees of Region XII Council of Governments, Inc. accumulate a limited amount of earned but unused annual leave payable to employees. Amounts representing the cost of annual leave expected to be liquidated currently are recorded as liabilities. This liability has been computed based on current rates of pay.

Deferred Revenue - Deferred revenue represents an excess of cash advances by the funding source over accrued expenses at year end.

Cost Allocation - The organizations have adopted a cost allocation plan to allocate joint costs to the various programs. Any cost which cannot be assigned directly to a program is allocated based upon the ratio of direct labor hours worked for the respective program, square feet of space used, gross wages for direct program costs, or other reasonable methods of allocation. The cost allocation plan is approved by the COG's federal cognizant agency.

Budgetary Accounting - The organizations are not required by statute to use budgetary accounting. Therefore, no budgetary information is included in these financial statements.

Income Taxes - Region XII Council of Governments, Inc. is exempt from Federal income taxes under provisions of Internal Revenue Code Section 501(c)(3).

Use of Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from amounts estimated. These estimates involve useful lives for depreciation of assets, allowance for doubtful accounts, loss contingencies, and other estimating techniques as may be required to record effects of future events.

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 2 Support From Governmental Units

Region XII Council of Governments, Inc. receives substantially all of its support from Federal, State, and local governments. A significant reduction in the level of this support, if this were to occur, would have a significant effect on the COG's programs and activities.

Note 3 Leases

Region XII Council of Governments, Inc. sub-leases office facilities from the Iowa Workforce Development under a lease agreement which began October 1, 2011, and expires December 31, 2016.

Region XII Council of Governments, Inc. is obligated under other lease agreements accounted for as operating leases for equipment. In the event insufficient program funding occurs, these leases may be prematurely terminated with appropriate notice.

Note 4 Pension and Retirement Benefits

The Region XII Council of Governments, Inc. contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117

Plan members are required to contribute 5.38% of their annual covered salary and the Region XII Council of Governments, Inc. is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. Region XII Council of Government's contributions to IPERS for the year ended June 30, 2012 was \$135,311, equal to the employer required contributions for the year. The total contribution to IPERS for the year ended June 30, 2012 was \$225,515.

Note 5 Contingent Liability - Medical Leave

Region XII Council of Governments, Inc.'s full time and part time employees accumulate medical leave hours for subsequent use. No compensation is made for accrued medical leave at time of separation and these accumulations are not recognized as expenses until used. The organization's approximate maximum liability for unrecognized medical leave benefits as of June 30, 2012 was \$212,490. The maximum allowable medical leave may accumulate to 90 days. An employee that has been employed at least 10 years may elect to convert 10 days of medical leave into annual leave. Two days of medical leave earned is then equal to one day of annual leave.

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 6 Organization Risk Management

Region XII Council of Governments, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

These risks are covered by the purchase of commercial insurance. The organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7 Total Deposit Accounts Exceeding Insured Depository Limits

Region XII Council of Governments, Inc. maintains its checking, savings, and certificate of deposit accounts in various financial institutions. These financial institutions classify these deposits as public funds and are subject to the guidelines referred to in Chapter 12C of the Code of Iowa.

As of the fiscal year end, the organization held public funds totaling:

	<u>June 30, 2012</u>
Financial institution balance	\$ 5,119,990

NOTE 8 Subsequent Events

Through the date the financial statements were available to be issued, management evaluated subsequent events.

Note 10 Uncertain Tax Positions

Region XII Council of Governments, Inc.'s management is not aware of possible tax positions taken by the organization which would be viewed as contrary to tax positions taken by the Internal Revenue Service. The fiscal years ending June 30, 2010, June 30, 2011, and June 30, 2012 remain open for examination.

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 9 Property, Vehicles, and Equipment

A summary of property, vehicles, equipment, and the components of accumulated depreciation, are as follows:

FISCAL YEAR END June 30, 2012

<u>Property & Equip.</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Beginning of year \$	3,291,104	\$ 2,402,994	\$ 394,704	\$ 6,088,802
Additions	0	222,302	6,203	228,505
Disposals	0	(193,247)	0	(193,247)
End of year	\$ <u>3,291,104</u>	\$ <u>2,432,049</u>	\$ <u>400,907</u>	\$ <u>6,124,060</u>
<u>Accumulated Depr.</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Beginning of year \$	365,500	\$ 1,492,504	\$ 127,564	\$ 1,985,568
Current deprec.	49,796	271,781	57,787	379,364
Disposal of assets	0	(193,247)	0	(193,247)
End of year	\$ <u>415,296</u>	\$ <u>1,571,038</u>	\$ <u>185,351</u>	\$ <u>2,171,685</u>

Note 11 Housing Loans Receivable

Region XII Council of Governments, Inc. accounts for grant proceeds as revenue. Principal and interest payments received are accounted for as other program revenues when received. Loans and grants paid to families are treated as expenses at the time the loan is made to accommodate the required reporting format on quarterly reports.

Region XII Council of Governments, Inc. administers Community Development Block Grants Revolving Loans (CDBG Loans) for various cities within Region XII. The loans are for down payment assistance or for a portion of the cost of housing rehabilitation.

Region XII Council of Governments, Inc. administered the Department of Agriculture-Housing Preservation Grant (HPG Loans). The grant proceeds are used to maintain a low-interest revolving loan fund for low-income residents. Loans of up to \$5,000 per family, at varying interest rates, are used to make health and safety improvements to homes.

Region XII Council of Governments, Inc. administers the Iowa Department of Economic Development Local Housing Assistance Program (LHAP Loans). LHAP funds are awarded for the purpose of providing a regional revolving loan fund to provide low-interest construction financing for new single-family housing.

Region XII Council of Governments, Inc. administers the Iowa Finance Authority "Helping Iowa's Rural Economy" grant (HIRE Loans). The funds are for home ownership initiative down payment loans to provide financial assistance for the creation of affordable housing throughout the State of Iowa.

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 11 Housing Loans Receivable (continued)

Region XII Council of Governments, Inc. administers the Household Water Well System grant. The fund shall be used solely for the purpose of financing the construction, refurbishing and servicing of individually owned household water well systems in rural areas for individuals with low or moderate income. A Revolving Loan Fund Account has been established and designated to account for the grant funds.

The balance of all loans is reflected as other assets on the combined statement of financial position. A summary of activity is as follows:

<u>FISCAL YEAR June 30, 2012</u>					
	<u>Beginning Balance</u>	<u>Payments Received</u>	<u>Write- Offs</u>	<u>Accrued Interest & New Loans</u>	<u>Ending Balance</u>
CDBG Loans	\$ 914,598	\$ 78,437	\$ 14,663	\$ 7,208	\$ 828,706
HPG Loans	553,820	129,193	11,645	114,025	527,007
LHAP Loans	26,461	8,259	0	30,544	48,746
HIRE Loans	329,215	74,759	0	26,172	280,628
HWWS Loans	<u>92,944</u>	<u>10,614</u>	<u>0</u>	<u>9</u>	<u>82,339</u>
	\$ <u>1,917,038</u>	\$ <u>301,262</u>	\$ <u>26,308</u>	\$ <u>177,958</u>	\$ <u>1,767,426</u>

Note 12 Long Term Notes Payable

The long term notes payable and classification are as follows:

Region XII Council of Governments,
Inc., has entered into an Amoco Loan
Agreement with the Iowa Department
of Transportation.

	\$ 45,300
Current Portion of Long Term Debt	(15,100)
Long Term Portion	<u>\$ 30,200</u>

Maturities of notes payable over the next five years are as follows:

June 30, 2013	\$ 15,100
June 30, 2014	15,100
June 30, 2015	<u>15,100</u>
Total	<u>\$ 45,300</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

NOTE 13 DRAFTING OF FINANCIAL STATEMENTS

A consequence of the size of Region XII Council of Governments, Inc combined with the specific expertise of the accounting and financial reporting department, is that management has elected to rely on the knowledge of its auditors to prepare its annual financial statements and related disclosures. The Organization has made the determination that because of the ever changing and numerous reporting requirements associated with preparing financial statements that are in conformity with U. S. generally accepted accounting principles, it is more cost advantageous to rely on the expertise of its outside auditors to assist in the preparation of its financial statements and related disclosures. The financials statement are the responsibility of the Organization's management and the control over the financial statements being prepared in conformity with U. S. generally accepted accounting principles, lies with management.

SUPPLEMENTAL INFORMATION

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

Salaries & wages	\$ 1,053,174
Employee benefits	417,062
Advertising & marketing	7,625
Accounting & legal	20,939
Insurance	19,456
Contracted services	329,306
Fees, dues & subscriptions	11,347
Postage	12,322
Rent	116,158
Telephone	43,107
Travel	82,132
Office expense	38,112
Equipment expenses	33,229
Facility expenses	46,238
Board expense	8,300
Drivers' wages & benefits	863,974
Vehicle fuel & other costs	333,653
Vehicle insurance	74,187
Purchased services	135,108
Participant loans & grants	1,496,071
Participant support	858,311
Capital expenditures	237,245
Interest	10,982
Matching funds expended	88,416
In-kind Match expenditures	37,252
Depreciation	<u>379,364</u>
Total Expenses	\$ <u>6,753,070</u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULES OF REVENUES AND EXPENSES
SCHEDULES OF STATE, GENERAL, AND LOCAL ADMINISTERED PROGRAMS ACTIVITY
Year Ended June 30, 2012

	<u>Local Funds</u>	<u>Revolving Loan Funds</u>	<u>Community Administered & Support Programs</u>
Revenues:			
Governmental Funding Source:			
State funds	\$ 0	\$ 0	\$ 0
Program funds	203,564	0	184,162
Loan repayments	0	337,395	0
Interest on loans	0	40,386	0
Interest on investments	13,844	28,637	0
Other revenue	15,486	10,582	0
Matching funds	<u>0</u>	<u>0</u>	<u>1,517</u>
Total revenues	<u>232,894</u>	<u>417,000</u>	<u>185,679</u>
Expenses:			
Salary & wages	219	23,434	45,938
Employee benefits	1,402	8,140	16,455
Advertising & marketing	0	64	86
Accounting & legal	721	3,505	1,508
Insurance	0	311	622
Contracted services	0	1,111	156
Fees, dues & subscriptions	0	222	276
Postage	337	734	631
Rent	30	2,173	3,591
Telephone	0	283	400
Travel	1,509	3,312	3,139
Office expense	849	3,271	771
Equipment expenses	0	780	1,945
Facility expenses	0	1,039	1,838
Board expense	487	197	252
Vehicle expense	17,045	0	0
Participant loans & grants	0	175,116	164,937
Matching funds & transfers	<u>44,323</u>	<u>13,804</u>	<u>21,504</u>
Total expenses	<u>66,922</u>	<u>237,496</u>	<u>264,049</u>
Revenue over (under) expenses	165,972	179,504	(78,370)
Beginning of year	<u>559,741</u>	<u>3,380,173</u>	<u>105,104</u>
End of Year-			
Net Assets	<u>725,713</u>	<u>3,559,677</u>	<u>0</u>
Receivable from future claims	<u>0</u>	<u>0</u>	<u>0</u>
Deferred revenue	\$ <u>0</u>	\$ <u>0</u>	\$ <u>26,734</u>

See accompanying Independent Auditor's Report.

Schedule 2

<u>Iowa Waste Exchange Programs</u>	<u>Iowa Workforce Development Programs</u>	<u>Low Income Housing Tax Credit</u>	<u>Western Iowa Advantage Partners</u>
\$ 400,000	\$ 11,091	\$ 6,650	\$ 0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	1,383
0	0	0	0
85	0	0	52,869
<u>400,085</u>	<u>11,091</u>	<u>6,650</u>	<u>54,252</u>
91,614	2,611	3,174	1,787
41,117	794	1,702	481
221	22	8	7
916	28	20	3
1,248	32	38	24
244,294	536	3	33,526
899	100	5	14
465	18	85	12
4,003	122	257	158
415	2,234	38	38
8,575	107	400	5,391
1,498	1,970	74	43
2,326	33	209	76
1,968	2,411	151	68
526	73	14	219
0	0	0	0
0	0	0	0
0	0	0	0
<u>400,085</u>	<u>11,091</u>	<u>6,178</u>	<u>41,847</u>
0	0	472	12,405
<u>0</u>	<u>0</u>	<u>(3,381)</u>	<u>136,349</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>148,754</u>
<u>0</u>	<u>0</u>	<u>(2,909)</u>	<u>0</u>
\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULES OF REVENUES AND EXPENSES
SCHEDULES OF FEDERAL PROGRAMS ACTIVITY
Year Ended June 30, 2012

	Rural Housing Preservation <u>Grant</u>	Economic Development Planning <u>Grant</u>	Hazard Mitigation <u>Grants</u>	Community Development Block <u>Grants</u>
Revenues:				
Governmental Funding Sources:				
Department of Agriculture	\$ 47,377	\$ 0	\$ 0	\$ 0
Department of Commerce	0	61,000	0	0
Department of Housing & Urban Development	0	0	0	803,429
Department of Labor	0	0	0	0
Department of Health & Human Services	0	0	0	0
Department of Transportation	0	0	0	0
Department of Homeland Security	0	0	47,761	0
Matching Funds	148	23,748	1	4,768
In-Kind Match	0	37,252	0	0
Total Revenues	<u>47,525</u>	<u>122,000</u>	<u>47,762</u>	<u>808,197</u>
Expenses:				
Salaries & wages	627	48,768	22,189	110,329
Employee benefits	267	18,404	8,542	47,722
Advertising & marketing	4	109	37	2,890
Accounting & legal	1	388	69	4,700
Insurance	7	683	289	1,462
Contracted services	0	81	31	1,527
Fees, dues & subscriptions	0	333	134	944
Postage	19	275	108	2,909
Rent	47	4,857	2,074	10,202
Telephone	6	782	192	1,266
Travel	50	3,601	1,132	8,793
Office expense	13	1,054	555	2,228
Equipment expenses	49	2,624	837	6,621
Facility expenses	24	2,457	1,164	5,188
Board expense	3	332	146	730
Participant loans & grants	40,000	0	0	552,903
Participant support	0	0	0	0
Capital expenditures	0	0	0	0
Interest	0	0	0	7,687
In-Kind expenses	0	37,252	0	0
Total expenses	<u>41,117</u>	<u>122,000</u>	<u>37,499</u>	<u>768,101</u>
Program revenues over (under) expense	(6,408)	0	10,263	40,096
Beginning of Year	(6,408)	0	(10,726)	(48,971)
End of Year-				
Receivable from future claims	\$ <u>0</u>	\$ <u>0</u>	\$ (<u>463</u>)	\$ (<u>8,875</u>)

See accompanying Independent Auditor's Report.

Schedule 3

HOME Investment Partnership Program	WIA Workforce Investment Act Title I & SWA	IWD Employment Service Re-employment New Iowan Ctr. Veterans DVOP	WIA Electrolux National Emergency Grant	WIA Temporary Assistance for Needy Families Promise Jobs	Ticket To Work	Other Federal Programs
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0	0
613,677	0	0	0	0	0	0
0	298,006	22,583	1,150,832	0	6,117	0
0	0	0	0	115,431	0	0
0	0	0	0	0	0	9,252
0	0	0	0	0	0	0
31,339	0	0	1,013	869	1	10,152
0	0	0	0	0	0	0
<u>645,016</u>	<u>298,006</u>	<u>22,583</u>	<u>1,151,845</u>	<u>116,300</u>	<u>6,118</u>	<u>19,404</u>
49,725	57,182	0	272,378	62,567	3,616	0
22,871	23,388	0	118,832	19,242	1,713	0
103	189	0	495	99	0	0
1 082	571	0	1,804	274	0	0
686	1,007	0	9,204	884	52	0
972	15,870	247	15,323	13,398	0	0
184	766	0	1,707	131	0	0
1,514	240	0	2,357	850	22	0
4,579	5,019	0	30,544	6,449	386	0
554	956	5,211	2,575	3,078	58	0
4,428	3,802	0	10,016	1,322	34	0
1,109	1,237	9,189	4,998	3,367	65	0
3,084	477	0	2,367	561	42	0
2,510	1,296	7,936	3,905	3,881	130	0
365	898	0	2,137	197	0	0
563,115	0	0	0	0	0	0
0	185,108	0	673,203	0	0	0
0	0	0	0	0	0	0
3,295	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>660,176</u>	<u>298,006</u>	<u>22,583</u>	<u>1,151,845</u>	<u>116,300</u>	<u>6,118</u>	<u>0</u>
(15,160)	0	0	0	0	0	(19,404)
(9,805)	0	0	0	0	0	(19,404)
\$ (24,965)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULES OF REVENUE AND EXPENSES
SCHEDULES OF WESTERN IOWA TRANSIT PROGRAMS ACTIVITY
Year Ended June 30, 2012

	<u>Rural Transit Operating</u>	<u>Rural Transit Capital</u>
Revenue:		
Governmental Funding Source:		
Federal-Dept. of Transportation	\$ 464,508	\$ 175,942
Iowa Dept. of Transportation	307,655	0
Elderbridge Agency	38,916	0
United way	4,500	0
Public support & contribution	974,217	0
Capital & other matching funds	0	41,654
Interest from investments	4,693	0
Fuel tax refund	1,188	0
Other local	29,530	0
Total Revenues	<u>1,825,207</u>	<u>217,596</u>
Expenses:		
Salaries & wages	150,466	0
Employee benefits	51,872	0
Advertising & marketing	2,955	0
Accounting & legal	4,524	0
Insurance	1,415	0
Contracted services	115	0
Fees, dues & subscriptions	4,399	0
Postage	1,165	0
Rent	32,107	0
Telephone	23,450	0
Travel	19,929	0
Office expense	3,604	0
Equipment expenses	6,404	0
Facility expenses	5,446	0
Board expense	828	0
Drivers' wages & benefits	863,974	0
Vehicle fuel & other costs	316,608	0
Vehicle insurance	74,187	0
Purchased services	135,108	0
Capital purchases	19,649	217,596
Matching funds	7,430	0
Total Expenses	<u>1,725,635</u>	<u>217,596</u>
Revenue over (under) expenses	99,572	0
Beginning of year-net assets	<u>439,199</u>	<u>0</u>
End of Year-Net assets	\$ <u><u>538,771</u></u>	\$ <u><u>0</u></u>

See accompanying Independent Auditor's Report.

Schedule 4

<u>Regional Transportation Planning</u> <u>Agreement Number 11RPA-12</u>			<u>Safe</u>
<u>FHWA SPR</u>	<u>FTA</u>	<u>FHWA (STP)</u>	<u>Route to</u> <u>School</u>
\$ 24,107	\$ 24,107	\$ 82,347	\$14,428
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
6,592	6,097	20,589	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>30,699</u>	<u>30,204</u>	<u>102,936</u>	<u>14,428</u>
19,410	17,640	60,605	8,895
4,881	6,688	19,249	3,300
78	43	159	56
85	107	471	162
291	241	816	144
28	33	2,047	8
354	77	530	272
97	107	343	34
1,990	1,714	4,920	936
222	186	1,080	83
1,131	1,155	3,939	367
416	358	1,310	133
775	908	2,667	444
807	849	2,842	328
134	98	603	61
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	1,355	0
<u>30,699</u>	<u>30,204</u>	<u>102,936</u>	<u>15,223</u>
0	0	0	(795)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ (<u>795</u>)

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SCHEDULES OF REVENUE AND EXPENSES FOR COMPLETED CONTRACTS

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULES OF REVENUES AND EXPENSES
COMPLETED PROGRAMS
Year Ended June 30, 2012

Grant or Program Period	Rural Housing Preservation Grant <u>10/1/10-3/31/12</u>	Hazard Mitigation Denison Municipal Utility <u>9/15/09-8/19/12</u>	Workforce Investment Act Title I <u>7/1/10-6/30/12</u>
Revenues:			
Governmental Funding Sources:			
Department of Agriculture	\$ 61,185	\$ 0	\$ 0
Department of Commerce	0	0	0
Department of Labor	0	0	147,059
Iowa Department of Homeland Security	0	9,343	0
Iowa Department of Transportation	0	0	0
Iowa Finance Authority	0	0	0
Matching Funds	0	0	0
Total Revenues	<u>61,185</u>	<u>9,343</u>	<u>147,059</u>
Expenses:			
Salaries & wages	4,412	5,398	56,287
Employee benefits	2,102	2,418	24,154
Advertising & marketing	10	7	75
Accounting & legal	141	28	66
Insurance	60	84	1,138
Contracted services	1,260	23	8,008
Fees, dues & subscriptions	15	31	231
Postage	110	30	588
Rent	348	407	5,247
Telephone	48	40	836
Travel	234	133	4,602
Office expense	0	87	882
Equipment expenses	223	371	2,118
Facility expenses	194	257	2,428
Board expense	20	29	234
Participant loans & grants	52,008	0	0
Participant support	0	0	40,165
Total expenses	<u>61,185</u>	<u>9,343</u>	<u>147,059</u>
Net	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

See accompanying Independent Auditor's Report.

Schedule 5

WIA Electrolux National Emergency Grant <u>7/1/10-6/30/12</u>	Iowa Waite Exchange Program <u>7/1/09-6/30/12</u>	Urban Youth Corps <u>5/13/10-12/31/11</u>
\$ 0	\$ 1,153,925	\$ 0
0	0	0
1,716,012	0	0
0	0	0
0	0	9,252
0	0	0
0	486	4,955
<u>1,716,012</u>	<u>1,154,411</u>	<u>14,207</u>
416,888	261,671	9,121
175,031	108,652	1,003
1,052	392	266
2,154	2,718	26
12,723	3,812	145
15,592	704,153	41
1,822	2,355	183
3,499	1,265	44
36,476	15,451	682
4,694	1,589	70
16,143	23,696	1,461
6,016	5,143	133
25,995	13,182	375
6,911	8,954	607
3,367	1,378	50
0	0	0
<u>987,649</u>	<u>0</u>	<u>0</u>
<u>1,716,012</u>	<u>1,154,411</u>	<u>14,207</u>
\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

Schedule 6

REGION XII COUNCIL OF GOVERNMENTS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2012

Agency and Office:

Recipient State Agency:

Sub-recipient of State Funds:

Program Title:

	CFDA #	Program Or Grant Number	Total Expenditures
Federal Direct:			
<u>Department of Agriculture-Rural Development:</u>			
Rural Housing Preservation Grant	10.433	-	\$ <u>41,118</u>
<u>Department of Commerce-Economic Development Administration:</u>			
Economic Development Support for Planning Organizations	11.302	05-83-04975-01	\$ <u>61,000</u>
Federal Indirect:			
<u>Department of Housing & Urban Development-Office of Community Planning & Development:</u>			
<u>Iowa Department of Economic Development:</u>			
<u>Subrecipient of Cities, Counties, and SWIPCO:</u>			
Community Development Block Grants			
City of:			
Odebolt	14.228	10-WS-053	\$ 13,424
Minburn	14.228	10-WS-046	3,581
Linden	14.228	08-WS-037	3,329
Sac City	14.228	09-WS-051	20
Glidden	14.228	08-DRI-268	6,506
Audubon-Neighborhood Stabilization	14.228	08-NSP-001	33,823
Boone-Neighborhood Stabilization	14.228	08-NSP-002	44,653
Charter Oak-Housing	14.228	09-HSG-109	86,375
Guthrie Center-Housing	14.228	09-HSG-041	187,103
Guthrie Center-Neighborhood Stab.	14.228	08-NSP-008	58,412
Jefferson-Housing	14.228	11-HSG-027	8,104
Jefferson-Neighborhood Stabilization	14.228	08-NSP-010	120,626
Manning-Housing	14.228	08-HSG-043	75,826
Perry-Neighborhood Stabilization	14.228	08-NSP-014	34,031
Sac City-Housing	14.228	08-HSG-041	31,989
Redfield-Housing	14.228	10-HSG-025	71,023
Perry	14.228	11-HSG-043	16,737
Odebolt	14.228	11-HSG-041	13,796
Lanesboro	14.228	11-WS-032	7,679
Lidderdale	14.228	11-WS-035	4,780
Wall Lake	14.228	11-WS-061	3,402
Carroll County-New Hope	14.228	10-CF-001	<u>2,718</u>
			\$ <u>827,937</u>
Home Investment Partnership Program			
City of:			
Carroll	14.239	10-HM-115-65	\$ 317,799
Wall Lake	14.239	07-HM-118-65	38,357
Greene County	14.239	08-HM-109-65	<u>46,045</u>
			<u>402,201</u>
Total			\$ <u>1,230,138</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
 Year Ended June 30, 2012

Agency and Office:

Recipient State Agency:

Sub-recipient of State Funds:

Program Title:

<u>Federal Indirect:</u>	<u>CFDA #</u>	<u>Program Or Grant Number</u>	<u>Total Expenditures</u>
<u>Department of Labor-Employment Training Administration:</u>			
<u>Iowa Workforce Development</u>			
Employment Service/Wagner Peyser	17.207	B-12-01-R8	\$ 9,742
Unemployment Insurance	17.225	B-12-01-R8	10,818
Trade Act Assistance	17.245	B-12-01-R8	454
WIA Adult Program	17.258	7-W-08-FR-0	28,745
WIA Youth Programs	17.259	7-W-08-FR-0	75,879
ARRA OJT-National Emergency Grant	17.277	11-W-FR-P1-0-09	32,917
Electrolux-National Emergency Grant	17.277	11-W-FR-P1-0-01	1,151,845
WIA Dislocated Worker	17.278	7-W-08-FR-0	160,465
Veterans - DVOP	17.801	B-12-01-R8	<u>1,569</u>
Total			\$ <u><u>1,472,434</u></u>

Department of Transportation-Federal Highway Administration:

Iowa Department of Transportation:

Planning Joint Participation Agreement To Implement Regional Intermogal Planning	20.205	12RPA-12 FHWA STP	\$ 96,000
Planning Joint Participation Agreement To Implement Regional Intermogal Planning	20.205	12RPA-12 FHWA SPR	24,107
Highway Planning and Construction Safe Routes to School Program Project	20.205	08-SRTS-006	<u>14,428</u>
			\$ <u><u>134,535</u></u>
Capital Investment Assistance	20.500	04-0117-120-11	\$ <u><u>50,793</u></u>
Planning Joint Participation Agreement To Implement Regional Intermogal Planning	20.509	12RPA-12 FTA5311	24,107
Rural Training Assistance Program	20.509	TF-12	1,391
Operating Assistance	20.509	18-0030-120-12	439,976
Non-Urban Operating Assistance Project	20.509	85-0032-120-10	21,323
Non-Urban Capital & Operating Assistance	20.509	85-X030-120-12	51,826
Non-Urban Capital Assistance Project	20.509	85-X032-120-11	<u>42,700</u>
			<u><u>581,323</u></u>
Total			\$ <u><u>766,651</u></u>

Department of Health & Human Services-Administration for Children and Families:

Iowa Workforce Development

Promise Jobs - Basic	93.558	9-W-08-FN-0	\$ 109,077
Promise Jobs - Basic	93.558	B-12-01-R8	6,961
Promise Jobs - Essentials	93.558	B-12-01-R8	<u>262</u>
			116,300
Ticket to Work	93.768	7-W-08-FR-0	<u>6,117</u>
Total			\$ <u><u>122,417</u></u>

REGION XII COUNCIL OF GOVERNMENTS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
 Year Ended June 30, 2011

Agency and Office:

Recipient State Agency:

Sub-recipient of State Funds:

Program Title:

Federal Indirect:

CFDA #

Program
Or Grant
Number

Total
Expenditures

Department of Homeland Security:

Iowa Homeland Security & Emergency Management Division:

Hazard Mitigation Grant

Denison Municipal Utilities

97.039

DR-1705-0036-01

\$ 221

Audubon County

97.039

DR-1763-0179-01

5,084

Carroll County

97.039

DR-1763-0180-01

8,113

Crawford County

97.039

DR-1763-0181-01

8,750

Greene County

97.039

DR-1763-0182-01

7,795

Guthrie County

97.039

DR-1763-0183-01

4,128

Sac County

97.039

DR-1763-0184-01

3,408

Total

37,499

TOTAL EXPENDITURES OF FEDERAL AWARDS

\$ 3,731,257

Basis of Presentation: The Schedule of Expenditures of Federal Awards includes the federal grant activity of Region XII Council of Governments, Inc., and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

John D. Morrow

Certified Public Accountant

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Certified Public Accountants

November 14, 2012

RTS CERTIFICATION BY INDEPENDENT AUDITOR

To the Board of Directors
Region XII Council of Governments, Inc.
Carroll, Iowa

I have audited the contracting opportunities and Disadvantaged Business Enterprise and Women Business Enterprise participation summary of Region XII Council of Governments, Inc. (Transit System). My audit of the report details included tests of accounting records, purchase orders, and contracts issued to Disadvantaged Business Enterprise and Women Business Enterprise firms as we considered necessary to verify that the information reported corresponds with the transit system's financial statements and other official documentation. It was not within the scope of my audit to make any assurances about the eligibility of any firm to be certified as a Disadvantage Business Enterprise or Women Business Enterprise, since the Iowa Department of Transportation assumes this responsibility. Tests were conducted to assure that this information fairly reflects the transit system's efforts to comply with Section 105(f) and Subpart D of the Surface Transportation Assistance Act of 1982.

The tests of accounting records and inquiries with management indicated that effort is made to identify Disadvantaged Business Enterprises and Women Business Enterprise. Management has procedures which identify current vendors as eligible to be certified as a Disadvantaged Business Enterprise and Women Business Enterprise.

John D. Morrow

Certified Public Accountant

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Certified Public Accountants

November 14, 2012

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Region XII Council of Governments, Inc.
Carroll, Iowa

I have audited the financial statements of Region XII Council of Governments, Inc., Carroll, Ia, as of and for the year ended June 30, 2012, and have issued my report thereon dated November 14, 2012. I conducted the audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Region XII Council of Governments Inc.'s, internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected or corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of Region XII Council of Governments, Inc., and other parties to whom the Organization may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of Region XII Council of Governments, Inc. during the course of the audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

John D. Morrow

Certified Public Accountant

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Certified Public Accountants

November 14, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Region XII Council of Governments, Inc.
Carroll, Iowa

I have audited the compliance of Region XII Council of Governments, Inc., Carroll, Ia, with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2012. The major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Organization's management. My responsibility is to express an opinion on compliance based on my audit.

I conducted my audit of compliance in accordance with U. S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion.

My audit does not provide a legal determination on compliance with those requirements.

In my opinion, Region XII Council of Governments, Inc., complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012. Instances of non-compliance with those requirements, if any, are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The Organization's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect management's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the internal control.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of Region XII Council of Governments, Inc., and other parties to whom the Organization may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part I: Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No matters were reported
Reportable condition(s) identified	
not considered to be material weaknesses?	No matters were reported
Non-compliance material to	
financial statements noted?	No matters were reported

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No matters were reported
Reportable condition(s) identified	
not considered to be material weaknesses?	No matters were reported
Type of auditor's report issued on	
compliance for major programs:	Unqualified
Any audit findings disclosed that are	
required to be reported in accordance	
with Circular A-133. Section .510(a)?	No matters were reported
Identification of major programs:	
Department of Housing and Urban Development	14.228
Department of Housing and Urban Development	14.239
Department of Labor	17.277
Department of Transportation	20.509
Dollar threshold used to distinguish	
between Type A and Type B programs:	\$ 300,000
Auditee qualified as low risk.	

Part II: Findings relating to the financial statements which are required to be reported in accordance with Governmental Auditing Standards.

No matters were reported

Part III: Findings and questioned costs for Federal Awards which shall include audit findings as defined in OMB Circular A-133.

No matters were reported

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